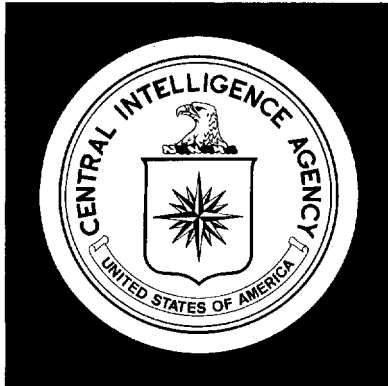


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ARAB STATES - ISRAEL - USSR: Both fronts were relatively quiet yesterday. Most forces appeared to be under orders to observe the cease-fire.

The Egyptians claim to have beaten off a small attack on Suez city during the day, but otherwise only scattered firing was reported.

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The Egyptian 3rd Army remains cut off on the east bank, but there are no indications that it is about to surrender.

The Syrian front was quiet except for some ground activity in the central sector.

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There has been no public Soviet reaction to the announcement that US forces are on alert. The initial TASS report on Secretary Kissinger's press conference yesterday is positive, and gives no hint of US concern about Soviet intentions. TASS stresses the Secretary's remarks regarding joint Soviet-US actions to resolve the crisis and quotes his references to the "most promising" possibilities for peace in the Middle East.

At the UN, the Security Council approved a resolution by eight nonaligned nations authorizing a new UN Emergency Force. The vote was 14-0, with China abstaining. Agreement was assured when the Soviets and the nonaligned members agreed to a US amendment excluding troops of the permanent members of the Security Council from participating in the proposed force. Last evening Secretary General Waldheim announced he was transferring more than 900 men from UN forces on Cyprus to the Middle East as an "interim measure." The maximum authorized strength of the current UN Truce Supervisory Organization (UNTSO) force in the Middle East is 221.

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The Security Council resolution and the Secretary General's alacrity in moving to implement it has probably reduced--at least for the present--the threat of unilateral Soviet action. The Communists clearly intend to play a more active role in UN peacekeeping than heretofore. During the Security Council debate, Soviet Ambassador Malik indicated that he expected troops from Communist and nonaligned countries to participate in the new peacekeeping force.

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Part of the Soviet naval force near Crete began moving south toward the combat area after US forces were alerted on 25 October. The ships are now holding in a position about 100 nautical miles north of the Egyptian coast. Included in the force are a missile frigate, three destroyers, and two amphibious ships. A Kotlin-class destroyer has

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also moved closer to the combat area and is now holding at a position about 80 nautical miles north of Port Said.

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Israeli Prime Minister Meir yesterday publicly reaffirmed her full confidence in Defense Minister Dayan. Her statement was made in response to press reports that Justice Minister Shapiro had criticized Dayan as being responsible for Israel's alleged lack of preparedness when the Egyptian and Syrian armies struck on 6 October. Shapiro, a member of a rival faction in Mrs. Meir's Israel Labor Party, had been close to the Prime Minister in the past but reportedly has drifted away from her in recent months. His criticism reflects some of the views of conservative groups in Israel which have also criticized the government's acceptance of the cease-fire.

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ARGENTINA: Buenos Aires appears ready to press US subsidiaries in Argentina to trade with Cuba, but hopes to avoid actions that might damage its relations with the US.

The pressures are an outgrowth of a \$200 million a year line of credit granted in August by Argentina to finance exports to Cuba. Items covered by the credit agreement include manufactured goods and transportation equipment. Major producers of such equipment include the Argentine subsidiaries of Ford, General Motors, Chrysler, Goodyear, Clark Equipment, and John Deere.

According to embassy sources, legislation is being drafted to set progressively larger export quotas for passenger cars over a four-year period. Failure to meet the quota would be penalized by subsequent restrictions on domestic sales. Many of the US firms have been characterized as uncooperative by Argentine officials, because they reportedly refused to quote prices and availability of commodities for export in response to Cuban inquiries. In addition to the export quota legislation currently under consideration, existing Argentine laws require non-discrimination in sales. The major US subsidiaries facing increased pressure represent roughly 25 percent of the total US investment of \$1.4 billion in Argentina.

LATIN AMERICA: Representatives from most Latin American countries, including Cuba, will meet in Lima next week to discuss use of the area's energy resources for their own development.

A priority topic on the agenda is the creation of a Latin American Energy Organization, which will be concerned largely with financing energy development and overseeing energy resource conservation. The organization is described as apolitical, but some participants view it as a means to strengthen Latin America's position in dealing with US economic interests. Other proposed topics include setting up a cooperative bank to facilitate trade in Latin American oil among member countries and building tanker fleets to transport oil.

The Latin American oil importing nations will probably want to discuss the recent increases in the tax reference values on petroleum by Venezuela and Ecuador, which result in higher prices. The importing countries would like to work out favorable pricing arrangements with Venezuela and Ecuador, the major oil exporting nations in Latin America.

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CUBA-JAPAN: Tokyo, citing growing domestic pressures, has decided to approve the extension of Export-Import Bank credits and technical assistance to Cuba. Washington is asking Tokyo to reconsider, as it has on two previous occasions. The Japanese hope to expand exports to Cuba, thus reducing their perennially large trade deficit with Havana. The deficit last year was \$94 million, due primarily to large sugar purchases.

Although the extension of government guarantees is a definite political gain for Havana, any new credits are likely to have only a marginal impact on the Cuban economy. Japanese officials stated that the level of credits will be restricted, and technical assistance will be limited to humanitarian projects. The government-backed credit terms--7 percent interest over 5 years--are comparable to Japanese commercial supplier credits previously extended to Havana. Any Ex-Im Bank extensions will be weighed carefully against Cuba's ability to repay. [REDACTED]

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GREECE: Prime Minister Markezinis' efforts to induce former political leaders to participate in the next election have failed so far, but the government still expects to go ahead with the election.

Most of the former civilian leaders have yet to take a final position on whether to participate in the election. The junta will soon decree a law on political parties, and these former leaders may be waiting to see what kind of parties will be permitted before committing themselves. Ex-prime minister Kanellopoulos, however, last week firmly rejected Markezinis' offer to participate in politics under the present constitution, stating that his position toward the junta was unchanged. Ex-minister and Center Union leader Mavros has also expressed disdain for the "Markezinis solution." Some younger politicians, however, apparently have an interest in participating.

Markezinis, in a recent interview in Le Monde, has also issued an invitation to Ilias Iliou of a formerly legal communist-front party to participate in the elections--provided, of course, that his party would renounce any attempt to overthrow the existing political and economic order.

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The prime minister, in the same interview, also said that he favored legalization of the Greek Communist Party. Any movement to restore the Greek Communist Party to legal status would, of course, be met with solid opposition from the military. Greek Armed Forces chief Zagorianakos, however, reportedly took a relaxed attitude toward Markezinis' remarks, laughingly suggesting that it was some sort of "smoke screen."

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Meanwhile, former junta member Konstantinos Aslanidis has roundly denounced President Papadopoulos, stating publicly that he cannot tolerate "a dictatorship under a parliamentary cloak." This has led to speculation that he and other dissident junta members might become part of an anti-Papadopoulos opposition.

FOR THE RECORD*

Nigeria-Israel: Nigeria has become the tenth African country to break relations with Israel since the Middle East war began. As hostilities progressed, domestic and Arab pressures have mounted on Nigerian leader General Gowon and he apparently felt Nigeria could no longer resist breaking with Tel Aviv. Gowon's decision, because he is the current head of the OAU, may influence many of the 14 remaining holdouts in black Africa to follow suit. [REDACTED]

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Norway: Norwegian fishermen are aroused over crowded conditions that have led to incidents in their traditional fishing grounds off northern Norway. Trawlers from the USSR, UK, West Germany, and France have concentrated their fishing efforts in these waters after access to the Icelandic banks was restricted. Several Norwegian trawlers have sustained damage to their nets, and the government may have to allocate funds to replace the lost equipment. One incident involved a Soviet trawler, and Oslo may protest to Moscow. The Defense Minister deflected a suggestion to press Norwegian naval vessels into fisheries protection service, but he recognized the need for more modern vessels specifically designed for such duty. [REDACTED]

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**These items were prepared by CIA without consultation with the Departments of State and Defense.*

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